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OCT 16 1986 10-05 AM

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INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION
October 16, 1986

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C.

6-289A031

Date OCT 16 1986

Fee \$

Dear Ms. McGee:

ICC Washington, D.C.

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are counterparts of the following documents:

- (a) Conditional Sale Agreement dated as of September 1, 1986 between ACF Industries, Incorporated, as Builder, The Connecticut Bank and Trust Company, National Association, as Agent, and BarclaysAmerican/Leasing, Inc., as Buyer (Primary Document); and
(b) Assignment of Conditional Sale Indebtedness dated as of September 1, 1986 among ACF Industries, Incorporated, as Builder, The Connecticut Bank and Trust Company, National Association, as Agent, and BarclaysAmerican/Leasing, Inc., as Buyer (Secondary Document).
- (a) Lease of Railroad Equipment dated as of September 1, 1986 between BarclaysAmerican/Leasing, Inc., as Lessor, and Soltex Polymer Corporation, as Lessee (Primary Document); and
(b) Assignment of Lease and Agreement dated as of September 1, 1986 between BarclaysAmerican/Leasing, Inc., as Lessor, and The Connecticut Bank and Trust Company, National Association, as Agent (Secondary Document).

NEW NO.

-A-

-B-

-C-

NOTICE OF FILING UNIT

OCT 16 9 59 AM '86

OCT 16 1986

① Overlaid CT. Kappler

The names and addresses of the parties to the foregoing documents are:

1. Agent:

The Connecticut Bank and Trust
Company, National Association
One Constitution Plaza
Hartford, Connecticut 06115

2. Buyer-Lessor:

BarclaysAmerican/Leasing, Inc.
201 South Tryon Street
Charlotte, North Carolina 28231

3. Builder-Seller:

ACF Industries, Incorporated
3301 Rider Trail South
Earth City, Missouri 63045

4. Lessee:

Soltex Polymer Corporation
3333 Richmond Avenue
Houston, Texas 77098

A description of the railroad equipment covered by the enclosed documents is:

Two hundred seventy-two (272) new ACF Model 5711, 5800 CUFT, center flow, covered hopper cars bearing reporting marks and numbers ELTX 1100 through ELTX 1371, both inclusive.


Also enclosed is a check in the amount of \$20 payable to the order of the Interstate Commerce Commission covering the required recordation fees.

Kindly return the stamped counterparts of the enclosed documents not needed for your official files to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

A short summary of the enclosed primary and secondary documents to appear in the Commission's Index is:

Conditional Sale Agreement, Assignment of Conditional Indebtedness, Lease of Railroad Equipment and Assignment of Lease and Agreement, each dated as of September 1, 1986, covering two hundred seventy-two (272) covered hopper cars identified by marks and numbers ELTX 1100 through ELTX 1371, both inclusive.

Very truly yours,


Charles T. Kappler

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

10/16/86

Charles T. Kappler
Alvord & Alvord
918 16th St. N.W.
Washington, D.C. 20006

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 10/16/86 at 10:05am, and assigned re-recording number(s) 15075, 15075-A, 15075-B & 15075-C

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

RECORDATION NO. 15075/B Filed & Recorded

OCT 16 1986 10-05 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of September 1, 1986

between

BARCLAYSAMERICAN/LEASING, INC.,

as Lessor

and

SOLTEX POLYMER CORPORATION,

as Lessee

CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT OF THE LESSOR HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, AS AGENT, FOR THE BENEFIT OF THE LENDERS REFERRED TO IN THE PARTICIPATION AGREEMENT, DATED AS OF THE DATE HEREOF. THIS LEASE AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. ONLY THE ORIGINAL COUNTERPART CONTAINS THE RECEIPT THEREFOR EXECUTED BY THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, AS AGENT, ON THE SIGNATURE PAGES THEREOF. SEE SECTION 23 HEREOF FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

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LEASE OF RAILROAD EQUIPMENT, dated as of September 1, 1985, between BARCLAYSAMERICAN/LEASING, INC. (the "Lessor") and SOLTEX POLYMER CORPORATION, a Delaware corporation (the "Lessee").

SECTION 1. DEFINITIONS.

For all purposes of this Lease, the following terms shall have the following meanings:

Additional Rent: as defined in Section 3.2.

Additions: as defined in Section 9.4.

Agent: The Connecticut Bank and Trust Company, National Association, a national banking association, in its capacity as agent under the Participation Agreement, and its successors as agent thereunder.

Agent's Available Funds: the funds held by the Agent which, pursuant to Section 2.4 of the Participation Agreement, may be applied to the payment of amounts equal to the Conditional Sale Indebtedness in respect of Units being delivered to the Lessor at an Equipment Closing.

Aggregate Purchase Price: as defined in the Conditional Sale Agreement.

Appraisal Procedure: the following procedure for determining the Fair Market Sales Value and/or the Fair Market Rental Value of the Units for purposes of this Lease: if either party hereto shall have given written notice to the other requesting a determination of such value by the Appraisal Procedure hereunder, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 10 Business Days after such notice is given, each party shall appoint an independent appraiser within 20 Business Days after such notice is given and the two appraisers so appointed shall within 30 Business Days after such notice is given appoint a third independent appraiser; but if either party shall fail to appoint an independent appraiser within such 20-Business Day period the independent appraiser appointed by the other party within such period shall be deemed to have been appointed by mutual agreement for the purposes of the immediately preceding sentence. If no such third appraiser is appointed within 30 Business Days

after such notice is given, either party may request the American Arbitration Association to appoint such an appraiser within 20 Business Days after such request is made, and both parties shall be bound by any appointment so made within such 20-Business Day period. If no such appraiser is appointed within 20 Business Days of such request to the American Arbitration Association or within 40 Business Days after the original notice requesting a determination pursuant to the Appraisal Procedure, whichever is earlier, either party may apply to any court having jurisdiction to make such appointment, and both parties shall be bound by any appointment made by such court. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Sales Value and/or the Fair Market Rental Value (as appropriate) of the Units within 30 Business Days after his or their appointment. If the parties shall have appointed a single appraiser, such appraiser's determination shall be final. If three appraisers shall be appointed, their determination shall be averaged, the determination which differs most from such average shall be excluded, the remaining two determinations shall be averaged and such average shall be final. All costs and fees of appraisers in making any such determination shall be paid by Lessee.

Assignment: the Assignment of Conditional Sale Indebtedness, dated as of the date hereof, among the Builder, the Agent and the Lessor, as Buyer thereunder, providing for the assignment by the Builder to the Agent of its right, title and interest in and to the Conditional Sale Indebtedness and the Conditional Sale Agreement, and including therein the Lessor's consent to such assignment, as from time to time amended, modified or supplemented in accordance with its terms.

Base Rate: a fluctuating rate equal to the rate per annum announced publicly by Chase Manhattan Bank, in New York, New York, from time to time, as its "base rate" or "prime rate", as the case may be.

Basic Agreements: this Lease, the Participation Agreement, the Conditional Sale Agreement, the Assignment, the Letter of Credit, the Purchase Agreement, the Builder's Consent, the Lease Assignment, the Consent, the Purchase Agreement Assignment and the Tax Indemnity Agreement. The Basic Agreements to which any person

referred to herein is a signatory are hereinafter called "its Basic Agreements".

Basic Rent: as defined in Section 3.1.

Basic Term: January 3, 1987 to and including January 2, 2007 (subject to the obligations to pay Basic Rent due on July 2, 2007).

Builder: ACF Industries, Inc., and its successors and assigns.

Business Day: any day other than a Saturday, a Sunday or any other day on which banking institutions in New York, Connecticut, North Carolina, or Texas are required or authorized by law to be closed.

Calculation Date: as defined in Section 7.1.

Casualty Occurrence: as defined in Section 7.1.

Casualty Value: as defined in Section 7.1.

Certificate of Acceptance: a certificate delivered, pursuant to Section 2, by a representative of the Lessor who is an employee of the Lessee upon delivery by the Builder and acceptance by the Lessee of Units that such Units of the Equipment have been inspected and accepted on behalf of the Lessor for all purposes of the Conditional Sale Agreement.

Code: the Internal Revenue Code of 1954, as amended from time to time.

Conditional Sale Agreement: the Conditional Sale Agreement, dated as of the date hereof, between the Builder and the Lessor, as Buyer thereunder, providing for the sale of the Equipment to the Lessor by the Builder, as from time to time amended, modified or supplemented in accordance with its terms.

Conditional Sale Indebtedness: as defined in Section 4.1 of the Conditional Sale Agreement.

Cut-off Date: the earliest of (a) the date of the Equipment Closing with respect to the 272nd Unit, (b) the date of a Declaration of Default pursuant to Sec-

tion 17 of the Conditional Sale Agreement and (c) November 15, 1986.

Declaration of Default: as defined in Section 17 of the Conditional Sale Agreement.

Equipment: the 272 units of railroad equipment set forth in Schedule A hereto, or such portion thereof as is delivered and accepted under the terms of the Conditional Sale Agreement and this Lease, together with all additions, modifications or improvements thereto or replacements thereof as contemplated by Section 2.

Equipment Closing: as defined in Section 4.1 of the Conditional Sale Agreement.

Event of Default: as defined in Section 17.

Excepted Payments: as defined in Section 1 of the Lease Assignment.

Fair Market Rental Value or Fair Market Sales Value: with respect to a Unit shall be determined for purposes of Sections 15 and 16 (including for purposes of determining Termination Value and Casualty Value for any renewal period), as of the time or times herein specified, on the basis of, and shall be equal in amount to, the Fair Market Rental Value or the Fair Market Sales Value of such Unit mutually determined by the Lessor and the Lessee, or as determined by the Appraisal Procedure, to be the value which would be obtained in an arm's-length transaction between an informed and willing lessee-user or buyer-user (other than a lessee currently in possession or a used equipment or scrap dealer) under no compulsion to lease or buy, as the case may be, and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell and, in determining Fair Market Rental Value or Fair Market Sales Value, it shall be assumed that the Unit the subject of such appraisal is in the condition required under Section 9.3 and costs of disassembly and transportation of the Units as contemplated by Section 9.3 shall not be a deduction from value.

Funding Date: as defined in Section 2.3 of the Participation Agreement.

Indemnitees: as defined in Section 6.1.

Interim Term: with respect to any Unit of Equipment, from the Equipment Closing Date with respect thereof through and including January 2, 1987.

Lease Assignment: the Assignment of Lease and Agreement, dated as of the date hereof, between the Lessor and the Agent, granting to the Agent a security interest in and assigning certain of the Lessor's right, title and interest in, to and under the Lease and including therein the Consent, as from time to time amended, modified or supplemented in accordance with its terms.

Lenders: Connecticut General Life Insurance Company and INA Life Insurance Company and any successors to their respective businesses, so long as they have an interest in the Conditional Sale Indebtedness, and any transferee (or subsequent transferee) of all or part of its interest in the Conditional Sale Indebtedness, so long as such transferee has such an interest, as Lender under the Participation Agreement, and any successors to its business.

Lessor's Lien: any Lien arising as a result of (i) claims against or affecting the Lessor, not related to the transactions contemplated by the Participation Agreement or this Lease, (ii) acts or omissions of the Lessor, not related to the transactions contemplated by the Participation Agreement or this Lease, (iii) Taxes imposed against the Lessor which are not indemnified against by the Lessee pursuant to this Lease, or (iv) claims against the Lessor arising out of the voluntary transfer by the Lessor (without the consent of the Lessee) of its interest in the Equipment, other than a transfer pursuant to Section 17.2 herein.

Lien: any mortgage, pledge, lien, charge, encumbrance, lease, sublease, exercise of rights, retention of title, equipment trust, conditional sale agreement, security interest or claim.

Majority in Interest of Lenders: Lenders having an interest in excess of 50% of the aggregate principal amount of the Conditional Sale Indebtedness at the time outstanding.

Owner: BarclaysAmerican/Leasing, Inc., and its successors and permitted assigns under Section 12 of the Participation Agreement.

Part: any appliance, part, instrument, appurtenance, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit, as an Addition or otherwise.

Participation Agreement: the Participation Agreement, dated as of the date hereof, among the Lessor, the Lessee, the Agent, and the Lenders, as from time to time amended, modified or supplemented in accordance with its terms.

Permitted Liens: Liens for Taxes (as defined in the Lease) either not yet due or being contested in good faith (and, if being contested, for the payment of which arrangements reasonably satisfactory to the Owner and the Agent have been made) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of the Equipment or any interest therein; materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and, if being contested, for the payment of which arrangements reasonably satisfactory to the Owner and the Agent have been made) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of the Equipment or interest therein; Liens arising out of judgments or awards against the Lessee (and for the payment of which arrangements reasonably satisfactory to the Owner and the Agent have been made) with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review; and any Lien created pursuant to or under the Security Documents.

Purchase Price: as defined in Section 2 of the Conditional Sale Agreement.

Renewal Term: as defined in Section 15.

Rent: Basic Rent and Additional Rent.

Rent Payment Date: as defined in Section 3.

Security Documents: the Conditional Sale Agreement, the Assignment and the Lease Assignment.

Taxes: as defined in Section 6.2.

Tax Indemnity Agreement: the Tax Indemnity Agreement, dated the date hereof, between the Lessor and the Lessee.

Term: the Basic Term, the Interim Term and, unless the context otherwise requires, the Renewal Term.

Termination Date: as defined in Section 14.

Termination Value: as defined in Section 14.

Unit: a unit of the Equipment.

All capitalized terms used in this Agreement without other definition shall have the meaning assigned in the Participation Agreement.

SECTION 2. LEASE AND DELIVERY OF EQUIPMENT.

The Lessor agrees to lease to the Lessee on the terms and conditions set forth herein each Unit delivered to and accepted by the Lessor under the Conditional Sale Agreement. The Lessor shall deliver or cause to be delivered each such Unit to be subjected to this Lease at the place within the United States of America at which such Unit is delivered to the Lessor under the Conditional Sale Agreement. Upon such delivery of a Unit under the Conditional Sale Agreement, the Lessee will cause an authorized representative or representatives of the Lessee to inspect such Unit and, if such Unit is found to be in good order and in conformity with the specifications and requirements set forth in the Purchase Agreement, and marked in accordance with the provisions of Section 5 of this Lease, to accept delivery of such Unit on behalf of the Lessee and to execute and deliver a Certificate of Acceptance with respect thereto, whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessor under the Conditional Sale Agreement and to have been delivered to and accepted by the Lessee under this Lease, and such Unit shall thereafter be subject to all of the terms and conditions of this Lease. Each such Unit not so delivered to and accepted

by the Lessor under the Conditional Sale Agreement and by the Lessee hereunder shall be excluded from this Lease and shall be excluded from the terms "Unit" and "Equipment" for all purposes of this Lease.

This Lease shall extend to any and all additions, modifications or improvements to the Equipment which become the property of the Lessor pursuant to this Lease and any and all replacements of the Equipment or any part thereof shall constitute accessions to the Equipment, shall be subject to all terms and conditions of this Lease, and shall be included in the term "Equipment" as used in this Lease.

SECTION 3. RENTALS.

3.1. Basic Rent. The Lessee will pay to the Lessor rental for each Unit in 41 consecutive semiannual installments in arrears ("Basic Rent"), payable on July 2, 1987, and on each January 2 and July 2 thereafter, to and including July 2, 2007 (each such date being hereinafter referred to as a "Rent Payment Date"). Basic Rent payable on each Rent Payment Date shall mean the amount determined by multiplying the Purchase Price by the percentage set forth in Column 1 of Schedule C hereto opposite such Rent Payment Date.

The Basic Rent percentage specified in the preceding paragraph and the Casualty Value and Termination Value percentages specified in Schedule B hereto are subject to adjustment from time to time as provided in Section 3.5 and the Tax Indemnity Agreement and the Lessor and the Lessee shall execute an addendum to this Lease to reflect each such adjustment, provided that the failure to execute and deliver an addendum shall not affect any such adjustment.

Anything contained herein or in the Participation Agreement to the contrary notwithstanding, each installment of Basic Rent (other than the installment of Basic Rent due on July 2, 1987), under any circumstances and in any event, shall be in an amount at least sufficient to pay in full, on the Rent Payment Date on which such installment is due, any payment to be made on account of the principal of, and interest on, the Certificates of Interest on such Rent Payment Date.

3.2. Additional Rent. The Lessee will also pay, promptly as the same shall become due and owing, from time to time as provided in this Lease or on demand, as additional rent ("Additional Rent"), (a) all other amounts, liabilities and obligations which the Lessee assumes or agrees to pay under the Basic Agreements, (b) all amounts paid or payable by the Owner to the Agent pursuant to Sections 8.1(a) and 8.1(d) of the Participation Agreement, (c) interest (to the extent legally enforceable) at the rate of 11.47% per annum on such of the foregoing amounts, liabilities and obligations which are not paid in full when due or on the date of such demand, as the case may be, from such date until payment in full thereof, and (d) interest (to the extent legally enforceable) at the rate of 11.47% per annum on all overdue installments of Basic Rent from the due date thereof until payment. In the event of any failure on the part of the Lessee to pay any Additional Rent, the Lessor or any other person entitled to receive the same shall have all rights, powers and remedies provided for in this Lease or at law or in equity or otherwise in the case of nonpayment of Basic Rent.

3.3. Place of Payment, etc. Subject to Section 23, each payment of Basic Rent or Additional Rent pursuant to Section 3.1 or 3.2 and any other amount payable under this Lease shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, in immediately available funds and by 11:00 a.m., New York time, on the date set forth for such payment in this Lease, at the office of the Lessor referred to in Section 22 (or to such other person as the Lessor may from time to time direct in writing) or, in the case of any payment pursuant to Section 6, directly to the person entitled thereto as provided therein. If the date on which any such payment is to be made is not a Business Day, such payment shall be made on the next preceding Business Day.

3.4. Net Lease. This Lease is a net lease. The Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein expressly provided, the Lessee shall not be entitled to any abatement of rent, reduction thereof or set-off against rent, including, but not limited to, abatements, reductions or set-offs due or alleged to be due by reason of any past, present or future

claims of the Lessee against the Lessor, the Builder, the Agent, the Lenders or any other person, whether under this Lease or any other Basic Agreement or otherwise, including any rights of Lessee by subrogation hereunder or thereunder against the Lessor, or otherwise, provided that in the event and for so long as the actions of the Lessor or its agents cause the Lessee to be deprived of its right of quiet enjoyment pursuant to Section 11 hereof, the Lessee need not, with respect to the affected Units, pay any amounts of Basic Rent to the Lessor in, and only in, excess of such amounts due and owing with respect to the principal of or interest on the Conditional Sale Indebtedness relating to each Basic Rent Payment Date; provided further that, in the event the Lessor or the Agent holds a good faith belief that no interference with the Lessee's right of quiet enjoyment pursuant to Section 11 hereof has occurred, the Lessee's obligation to continue to pay all amounts due hereunder continues, nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of or defect of title to all or any of the Units from whatsoever cause, any Liens, or rights of others with respect to any of the Units, the taking or requisitioning of any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or bankruptcy, reorganization or similar proceeding against the Lessee, the Lessor, the Agent or any Lender, or their respective properties or creditors, or any amendment or modification of or supplement to the Participation Agreement, any agreement the form of which is attached thereto as an exhibit, any agreements relating to any thereof or any other instrument or agreement applicable to the Equipment, or any assignment or transfer of any thereof, or any furnishing or acceptance of any additional security, or any failure or inability to perfect any security, any failure on the part of the Lessor, the Agent, or any Lender or any other person whatsoever to perform or comply with any term of any such instrument or agreement or any misrepresentation of any kind by any of the foregoing, any waiver, consent, change, extension, indulgence or any action or inaction under or in respect of any such instrument or agreement or any exercise or nonexercise of

any right, remedy, power or privilege in respect of any such instrument or agreement or this Lease, the invalidity or unenforceability of this Lease or any infirmity herein or any lack of power or authority of the Lessor to enter into this Lease, any assignment or other transfer of this Lease by the Lessee or the Lessor of any lien on or affecting Lessee's interest in the Equipment, any sublease or transfer of the Equipment or Parts thereof to any person pursuant to Section 11 hereof, any attachment, levy, detention, sequestration or taking into custody of the Equipment, or any interruption or prevention of or restriction on or any interference with the Lessee's use or possession thereof, any act, omission or breach on the part of the Lessor under this Lease or any other agreement at any time existing between the Lessor and the Lessee or any other law, governmental regulation or other agreement applicable to the Lessor or the Equipment, any claim as a result of any other dealing between the Lessor and the Lessee, any ineligibility of the Equipment, or any denial of the Equipment's right, to engage in any trade or activity, any ineligibility of the Equipment for documentation under the laws of the United States or any other jurisdiction, any registration or deregistration of the Equipment (including any failure or inability to maintain, continue in effect or terminate such registration) under the laws of the United States or any other Government, the recovery of any judgment against any person whatsoever or any action to enforce the same, any change in the ownership, direct or indirect, of the capital stock of the Lessor or the Lessee, or for any other occurrence, condition or cause whatsoever, foreseen or unforeseen, whether similar or dissimilar to the foregoing, whether now existing or hereafter occurring, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein, the

Lessee nonetheless agrees, to the extent not prohibited by law, to pay to the Lessor an amount equal to each Basic Rent payment at the time such payment would have become due or Casualty Value, at the option of the Lessee, in accordance with the terms hereof had this Lease not been terminated in whole or in part. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor or the Agent for any reason whatsoever.

3.5. Adjustment of Basic Rent Casualty Value and Termination Value. The Basic Rent, Casualty Values, and Termination Values have been computed utilizing the following assumptions ("Pricing Assumptions"):

- (i) Equipment Closing Dates shall occur on the following dates: October 16, 1986 and November 12, 1986;
- (ii) The percentage of Aggregate Purchase Price to be closed on each Equipment Closing Date shall be 81.6176% on October 16, 1986, and 18.3824% on November 12, 1986;
- (iii) Transaction Expenses are 1.3286% of the Aggregate Purchase Price;
- (iv) The Conditional Sale Indebtedness shall be equal to 75.51724% of the Aggregate Purchase Price, shall have an average life of 12.79348 years from January 2, 1987 and shall bear interest at a rate of 9.47% per annum.

In the event any of the Pricing Assumptions prove to be incorrect, Lessor shall recompute the Basic Rent, Casualty Values, and Termination Values to maintain Lessor's Net Economic Return, as defined in the Tax Indemnity Agreement.

No adjustment may be made under this Section 3.5 to the extent that as a result thereof (i) the Casualty Value or the Termination Value payable at any time would be less than the aggregate unpaid principal amount of the Conditional Sale Indebtedness and accrued interest thereon at such time, or (ii) any installment of Basic Rent would be less than the installment of princi-

pal and interest on the Conditional Sale Indebtedness which is due and payable on the due date of such installment of Basic Rent.

SECTION 4. TERM OF LEASE.

The term of this Lease as to any Unit, shall begin on the date of delivery to and acceptance by the Lessee of such Unit and, subject to the provisions of Sections 7, 13, 14, 15 and 17.2, the term for all Units shall terminate on July 2, 2007. Except for obligations of the Lessee hereunder which are specifically stated to terminate at a fixed time, all obligations of the Lessee hereunder shall survive the expiration of the term of this Lease.

SECTION 5. IDENTIFICATION MARKS.

The Lessee will cause each Unit to be kept numbered with the identifying number set forth in Schedule A hereto, or, in the case of any Unit not there listed, such identifying number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, at the time of the Equipment Closing with respect to Units ELTX 1322 through 1371 and, with respect to the remainder, as soon as practicable thereafter (and, in any event, within 120 days after the final Equipment Closing Date, substantially all and, within 360 days after the final Equipment Closing Date, all the Equipment will bear such legend), in letters not less than one inch in height, the following legend: "Ownership Subject to a Security Interest Filed with the Interstate Commerce Commission", with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested by the Agent (or by the Lessor if the security interest in favor of the Agent under the Security Documents shall have been discharged of record) in order to protect the Lessor's title to and property in, and the Agent's security interest in, such Unit and the rights of the Lessor under this Lease and of the Agent under the Security Documents. After initial marking pursuant to the terms of this Section 5, the Lessee will not place any Unit in service if such legend is not so marked on both sides thereof and will

replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change or permit to be changed the identifying number of any Unit unless and until (a) a statement of the new number or numbers to be substituted therefor shall have been filed with the Lessor and the Agent and duly filed, recorded and deposited by the Lessee in all public offices where this Lease or the Security Documents, or any Uniform Commercial Code financing statement or similar instrument relating thereto, shall have been filed, recorded and deposited and (b) the Lessee shall have furnished the Lessor and the Agent an opinion, satisfactory to the Agent and the Lenders, of counsel, satisfactory to the Agent and the Lenders, to the effect that (i) such statement has been so filed, recorded and deposited and such filing, recordation and deposit is sufficient to protect the Lessor's and the Agent's respective interests in such Units or (ii) no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary or advisable to protect the respective interests of the Lessor and the Agent in such Units.

The Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership, except as above provided and except that the Lessee may permit the Equipment to be lettered with the names, trademarks, initials or other insignias customarily used by the Lessee or its affiliates, so long as this Lease shall remain in effect, on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee or its affiliates to use the Equipment as permitted under this Lease.

SECTION 6. INDEMNITIES.

6.1. General Indemnity. The Lessee shall pay or cause to be paid, and shall protect, indemnify and hold the Lessor and, as third party beneficiaries hereof, the Agent and the Lenders and their respective successors, assigns, agents and servants (hereinafter called "Indemnitees") harmless from and against any and all causes of action, suits, penalties, claims, demands or judgments, of any nature whatsoever which may be imposed on, incurred by or asserted against any Indemnitee, in-

cluding any or all liabilities, obligations, damages, costs, interests, penalties, disbursements, expenses. (including without limitation reasonable attorneys' fees and expenses of any Indemnatee relating thereto) in any way relating to or arising or alleged to arise out of this Lease or any of the other Basic Agreements or the Equipment, including, without limitation, those in any way relating to or arising or alleged to arise out of (i) the manufacture, construction, purchase, acceptance, rejection, ownership, delivery, nondelivery, lease, sublease, possession, use, operation, condition, sale, return or other disposition of any Unit or portion thereof; (ii) any latent or other defects whether or not discoverable by any Indemnatee or the Lessee; (iii) any claim for patent, trademark or copyright infringement; (iv) any claims based on strict liability in tort or imposed by statute; (v) any injury to or the death of any person or any damage to or loss of property on or near any Unit or in any manner growing out of or connected with, or alleged to grow out of or be connected with, the ownership, use, replacement, adaptation or maintenance of the Equipment or of any other equipment in connection with the Equipment (whether owned or under the control of the Lessor, the Lessee or any other person) or resulting or alleged to result from the condition of any thereof; (vi) any violation, or alleged violation of any provision of this Lease, other than any such violation or alleged violation by such Indemnatee, or of any agreement, law, rule, regulation, ordinance or restriction, affecting or applicable to the Units or the leasing, subleasing, ownership, use, replacement, adaptation or maintenance thereof; (vii) any claim arising out of any of the obligations of the Lessor under its Basic Agreements; (viii) any claim arising out of the exercise of the rights of the Agent under the Security Documents, including, without limitation, all costs and expenses of the Lenders incurred by them pursuant to Section 11.2 of the Participation Agreement in connection with the Lenders' indemnification of the Agent, and advances made by the Lenders to the Agent, with respect to action taken by the Agent under the Participation Agreement, the Security Documents or this Lease; or (ix) any claim against the Lessor, the Agent or any of the Lenders for any service, selling, purchase or finder's fee or commission in connection with any Unit. The Lessee shall not be required to indemnify any Indemnatee under this Section 6.1 in respect of such party's willful misconduct or gross negligence. All payments hereunder shall be made directly

to the Indemnatee. The Lessee shall be obligated under this Section 6.1, irrespective of whether any Indemnatee shall also be indemnified with respect to the same matter under any other agreement by any other person, and the Indemnatee seeking to enforce the indemnification may proceed directly against the Lessee under this Section 6.1 without first resorting to any such other rights of indemnification. In case any action, suit or proceeding is brought against any Indemnatee in connection with any claim indemnified against hereunder, the Lessee may and, upon such Indemnified Person's reasonable request, will at the Lessee's expense resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Lessee and approved by such Indemnatee, and, in the event of any failure by the Lessee to do so, the Lessee shall pay all costs and expenses (including without limitation reasonable attorneys' fees, disbursements and expenses) incurred by such Indemnatee in connection with such action, suit or proceeding. In the event the Lessee is required to make any payment under this Section 6.1, the Lessee shall pay or cause to be paid to such Indemnatee an amount which, after deduction of all taxes required to be paid by such Indemnatee in respect of the receipt thereof under the laws of any federal, state or local government or governmental subdivision (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes as reasonably determined in the sole discretion of the Indemnatee), shall be equal to the amount of such payment for which indemnification was made. The Lessee and the Lessor each agree to give each other and the Lenders and the Agent promptly upon obtaining knowledge thereof written notice of any claim or liability hereby indemnified against. Upon the payment in full of, or the making of provision satisfactory to the Indemnatee for the full payment of, any indemnities as contained in this Section 6.1 by the Lessee, the Lessee shall be subrogated to any right of such Indemnatee in respect of the matter against which indemnity has been given and any payments received by such Indemnatee from any person (except the Lessee) as a result of any matter with respect to which such Indemnatee has been indemnified by the Lessee pursuant to this Section 6.1 shall be paid over to the Lessee for indemnification payments previously made in respect of such matter; provided that if any Event of Default, or event which with notice or lapse of time or both would

constitute an Event of Default, shall have occurred and be continuing, then any such payments shall be retained by the Indemnatee as security for the Lessee's obligations under the Lease and its other Basic Agreements and shall be applied to any of such obligations which remain unpaid until such time as no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, is continuing, at which time any of such amounts not so applied shall be paid over to the Lessee.

The Lessee further agrees to indemnify, protect and hold harmless the Indemnitees from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against any of them because of the use in or about the construction or operation of any of the Equipment of any article or material specified by the Lessee and not manufactured by the Manufacturer or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Manufacturer which infringes or is claimed to infringe on any patent or other right.

The indemnities contained in this Section 6.1 shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any Indemnatee. None of the indemnities in this Section 6.1 shall be deemed to create any rights of subrogation in any insurer or third party against the Lessee or the Lessor therefor, from or under any Indemnatee, whether because of any claim paid or defense provided for the benefit thereof or otherwise.

6.2. General Tax Indemnity. All payments by the Lessee in connection with the transactions contemplated by the Basic Agreements shall be free of withholdings of any nature whatsoever (and in the event that the Lessee is required to make any payment upon which any withholding is required, the Lessee shall pay an additional amount such that the net amount actually received by the person entitled to receive such payment will, after such withholding, equal the full amount of the payment then due) and shall be free of expense to each Indemnatee for collection or other charges. If the

Lessee has paid any withholding Tax to the appropriate taxing authorities for the account of an Indemnatee and such withholding Tax is not indemnifiable by the Lessee pursuant to the succeeding provisions of this Section 6.2, the Lessee shall notify such Indemnatee of the amount of such withholding Tax and provide to such Indemnatee a receipt or other document appropriately evidencing payment of such withholding Tax. Within thirty (30) days of receipt of such notice and documentation, such Indemnatee shall repay to the Lessee the amount of such withholding Tax together with interest thereon from the date of the Lessee's payment of such Tax to the date of repayment at the Base Rate during such period. Whether or not any of the transactions contemplated hereby are consummated, the Lessee agrees to pay or cause to be paid, and on written demand to indemnify and hold each Indemnatee harmless from, all fees (including, without limitation, documentation, license and registration fees), taxes (including, without limitation, income, gross receipts, franchise, capital stock, net worth, excise, sales, use, value added, property (real or personal, tangible or intangible), and stamp taxes), assessments, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon (all such fees, taxes, assessments, levies, imposts, duties, charges, withholdings, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"), howsoever imposed, whether levied, assessed, charged or imposed upon any Indemnatee, the Lessee, the Equipment or any Unit or any part thereof, the Rent or the Conditional Sale Indebtedness, or otherwise, by any Federal, state or local government, any governmental subdivision or taxing authority within the United States, any territory or possession of the United States, any foreign country or any taxing authority or governmental subdivision of a foreign country upon or with respect to: (a) the Equipment or any Unit or any part thereof; (b) the manufacture, purchase, acceptance, rejection, ownership, delivery, non-delivery, transport, maintenance, repair, sale, leasing, possession, use, operation, transfer of title, return, abandonment or other disposition of the Equipment or any Unit or any part thereof; (c) the rentals, receipts or earnings arising from the Equipment or any Unit or any part thereof; (d) any of the Basic Agreements; (e) any payment made pursuant to any Basic Agreement including, without limitation, draws on the Letter of Credit; (f) the property,

income or other proceeds received by the Agent under the Security Documents; (g) the creation of the Conditional Sale Indebtedness; (h) any payment with respect to the Conditional Sale Indebtedness or the Certificates of Interest; or (i) otherwise in connection with any of the transactions contemplated by any Basic Agreement, excluding, however (i) Taxes (other than sales, use or value added Taxes, or Taxes in the nature of sales, use or value added Taxes) imposed on the Lessor which are measured solely by the net income of the Lessor or are franchise, net worth or capital stock Taxes which are payable to the United States or to the state or political subdivision thereof in which the Lessor has its principal place of business or is incorporated or to any other state or political subdivision thereof where the Lessor is subject to net income, franchise, net worth or capital stock Taxes, as the case may be, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease the payment of which is specifically provided for elsewhere in this Lease, (ii) any Taxes imposed on the Lessor as a direct result of a voluntary transfer or other voluntary disposition by or on behalf of the Lessor or any transfer or disposition by or on behalf of the Lessor resulting from bankruptcy or other proceedings for the relief of creditors in which the Lessor is the debtor, whether voluntary or involuntary, of any interest in the Equipment or any Unit or any interest therein or any interest in rentals under this Lease, without the consent of the Lessee, but not excluding such Taxes if such transfer or disposition is in connection with a Casualty Occurrence or a termination pursuant to Section 14 of this Lease, or an Event of Default shall have occurred and be continuing, (iii) any Taxes (other than sales, use or value added Taxes, or Taxes in the nature of sales, use or value added Taxes) imposed on any Lender which are measured solely by the net income of any of the Lenders or franchise, net worth or capital stock Taxes which are payable to the United States or to a state or political subdivision thereof, provided that, notwithstanding the foregoing, there shall not be excluded (x) any Taxes which would not have been imposed if the loans evidenced by the Certificates of Interest had been made directly to the Lessee or (y) any Taxes imposed in whole or in part as a result of the location of the Equipment or any Unit or any part thereof in the jurisdiction imposing such Taxes (other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease the pay-

ment of which Taxes is specifically provided for in this Lease) and, so long as no Lease Default or Event of Default or Conditional Sale Default or Conditional Sale Event of Default shall have occurred and be continuing, any Taxes imposed on or for the account of any of the Lenders in connection with any transfer of its interest in the Certificates of Interest but not excluding such Taxes if such transfer is in connection with a Casualty Occurrence or a termination pursuant to Section 14 of the Lease, (iv) any Taxes imposed on a foreign Lender to the extent such Taxes would not have been imposed on a domestic lender and (v) any Taxes imposed on or measured by any fees received by the Agent for its services under the Basic Agreements. Without limiting the generality of the foregoing, the Lessee also agrees to pay all Taxes which the Lessor has agreed to pay under Section 8 of the Conditional Sale Agreement.

If a written claim is made against any Indemnatee for any Taxes indemnified against under this Section 6.2, such Indemnatee shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, such Indemnatee shall, upon receipt of indemnity satisfactory to it for all costs, expenses, including without limitation legal and accountants' fees and disbursements, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes. Such Indemnatee shall, in its sole discretion, select the forum for such contest and determine whether any such contest of the validity, applicability or amount of such Taxes shall be by (x) resisting payment thereof if possible, (y) not paying the same except under protest, if protest is necessary and proper, and (z) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. Notwithstanding the foregoing, no contest will be required pursuant to this Section 6.2 and the Lessee shall be required to pay any such Taxes without contest unless: (a) within 30 days after notice by such Indemnatee to Lessee of such proceeding or demand Lessee shall request that it be contested; (b) prior to such Indemnatee taking any such requested action, Lessee (at its expense and upon the written request of such Indemnatee shall provide such Indemnatee in a timely manner with an opinion of independent tax counsel of recognized standing selected by Lessee and approved by such Indemnatee), which approval will not be withheld unreasonably, to the effect that there exists substantial

authority for contesting such Taxes; (c) if such contest shall involve payment of the Taxes, Lessee shall pay the appropriate Indemnatee the amount payable by Lessee pursuant to this Section 6.2 with respect to such Taxes; (d) the Lessor and the Lenders shall determine that the actions to be taken will not result in a material risk of the sale, forfeiture or other loss of the Equipment, any Unit, or any interest therein or any other property owned, held or used by any Indemnatee or in any interference with the timely payment of Rent or any amount due on the Conditional Sale Indebtedness or the Certificates of Interest from time to time becoming due and payable; (e) no Event of Default (or an event which would, upon the giving of notice or the passage of time, or both, constitute an Event of Default) has occurred and is continuing; (f) the Lenders, as assignee of the Lessor, are receiving all amounts of Rent when payable without reduction by reason of any Taxes indemnified pursuant to this Section 6.2; and (g) the Lessee shall have acknowledged its liability to such Indemnatee for an indemnity payment in accordance with the provisions of this Section 6.2 as a result of such claim if and to the extent such Indemnatee or the Lessee, as the case may be, shall not prevail in the contest of such claim. If such Indemnatee shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by the Lessee and the period of such payment, such Indemnatee shall pay to the Lessee the amount of such refund or interest net of expenses; provided that if any Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, then any such payments shall be retained by the Indemnatee as security for Lessee's obligations under the Lease and its other Basic Agreements and shall be applied to any of such obligations which remain unpaid until such time as no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, exists, at which time any of such amounts not so applied shall be paid over to Lessee.

The amount which the Lessee shall be required to pay with respect to any Taxes indemnified against pursuant to this Section 6.2 shall be an amount sufficient to restore the Indemnatee to the same after-tax position such Indemnatee would have been in had such Taxes not been imposed. In case any report or return is

required to be made with respect to any obligation of the Lessee under this Section 6.2 or arising out of this Section 6.2, the Lessee shall make or cause to be made such report or return, or, except in the case of obligations resulting from the second sentence of the first paragraph of this Section 6.2, shall promptly notify or cause to be notified the appropriate Indemnatee of such requirement and if requested in writing by such Indemnatee shall make or cause to be made such report or return in such manner as shall be satisfactory to the appropriate Indemnatee. All costs and expenses (including reasonable legal and accountants' fees, disbursements and expenses) of preparing any such return or report shall be borne by the Lessee.

Payments due from the Lessee under this Section 6.2 shall be made directly to the Indemnatee, except to the extent paid to a governmental agency or taxing authority.

The Lessee shall furnish or cause to be furnished promptly, upon request, such information and data as are normally available to the Lessee and which the Indemnatee reasonably may require to permit compliance with the requirements of any taxing authorities.

6.3. Survival; No Guaranty. The Lessee's and the indemnified parties' agreements to pay any sums which may become payable pursuant to Section 6.1 or 6.2 shall survive the expiration or other termination of this Lease. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of payment of the Conditional Sale Indebtedness or of the residual value of the Equipment following the expiration of the term hereof as such term may or may not be renewed.

SECTION 7. PAYMENT FOR CASUALTY OCCURRENCES; INSURANCE.

7.1. Casualty Occurrences. In the event that any Unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged, or permanently rendered unfit for use from any cause whatsoever, or taken or requisitioned by condemnation by any governmental authority or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government for a period not in excess of the then remaining term of this

Lease (all such occurrences being hereinafter called "Casualty Occurrences"), the Lessee shall promptly and fully notify or cause to be notified (after the Lessee has knowledge of such Casualty Occurrence) the Lessor and the Agent with respect thereto. On the Rent Payment Date next succeeding the delivery of such notice (or, in the event that the term of this Lease has already expired, on a date within 15 days of such delivery) the Lessee shall pay or cause to be paid to the Lessor an amount equal to all Basic Rent and Additional Rent in respect of such Unit due and payable on or prior to such date plus a sum equal to the Casualty Value of such Unit as of such date (such date being hereinafter called the "Calculation Date"). Upon the making of such payment by or on behalf of the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue as of the date of such payment, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

If the date upon which the making or causing to be made of such payment by the Lessee in respect of any Unit as required as aforesaid shall be after the term of this Lease in respect of such Unit has expired, no rental for such Unit shall accrue after the end of such term but the Lessee, in addition to paying an amount equal to the Casualty Value set forth with respect to July 2, 2007 for such Unit, shall pay or cause to be paid interest thereon from the end of such term to the date of such payment at the rate of 11.47% per annum.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, before or after the expiration of this Lease, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor and no Event of Default hereunder, or event which with notice or lapse of time or both would constitute such an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to retain the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit and shall pay any excess to the Lessor. If any such Event of Default or event has occurred and is continuing, the Lessee shall promptly pay all such proceeds to the Lessor, provided that if no Declaration of Default has occurred and is continuing and at such time as no Event

of Default, or event which with notice or lapse of time or both would constitute an Event of Default, exists, the Lessor shall return all such proceeds up to the amount of the Casualty Value to the Lessee.

The "Casualty Value" of each Unit as of the Calculation Date for each such Unit shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date (subject to adjustment as provided in Section 3.5 and in the Tax Indemnity Agreement). Anything contained herein, in the Participation Agreement or in the Conditional Sale Agreement to the contrary notwithstanding, Casualty Value for the Equipment will, under any circumstances and in any event be an amount which, together with any other amounts required to be paid by the Lessee hereunder in connection with a Casualty Occurrence, will be at least sufficient to pay in full as of the date of payment thereof the aggregate unpaid principal amount of the Conditional Sale Indebtedness applicable to the Units suffering a Casualty Occurrence, from time to time outstanding, together with all unpaid interest thereon originally scheduled to be accrued, as of the payment date with respect to such Casualty Occurrence.

In the event of the requisition for use of any Unit during the term of this Lease or any renewal thereof, unless such requisition shall constitute a Casualty Occurrence, all of the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to Section 13 or 18, as the case may be, promptly upon such return rather than at the end of the term of this Lease; but the Lessee shall in all other respects comply with the provisions of Section 13 or 18, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the requisitioning authority for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided that if an Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing such payments shall be paid over to or retained by the Lessor, (i) until such time as no Event of Default or event which with notice or lapse of time or both would constitute an

Event of Default, is continuing, at which time the Lessor shall return all such payments to the Lessee or (ii) until a Declaration of Default has occurred and is continuing, at which time such payments shall be applied as set forth in Section 3.5 of the Lease Assignment. All payments received by the Lessor or the Lessee from the requisitioning authority for the use of such Unit after the term of this Lease, shall be paid over to, or retained by, the Lessor.

Except as provided in this Section 7.1, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

7.2. Insurance. The Lessor agrees that Lessee may at all times during the term of this Lease self-insure against loss by fire, windstorm and explosion and against such other risks as are customarily insured against by companies owning property of a similar character. The Lessee agrees that it will maintain or cause to be maintained general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, in such amounts as are, from time to time, customarily insured against by companies owning property of a similar character, provided that the Owner and the Agent may inquire into the appropriateness of the insurance coverage as set forth in the insurance certificates sent to them, from time to time, pursuant to this Section 7.2, and in the event that the insurance coverage is not in fact to the extent customarily obtained by companies owning property of a similar character, such insurance coverage will be so extended to such customary level. Any such insurance may have applicable thereto deductible provisions in an amount no greater at any time than \$7,500,000 per occurrence and may be carried under blanket policies maintained by the Lessee so long as such policies otherwise comply with the provisions of this Section 7.2. All such liability insurance shall designate the Lessor, the Lessee, the Agent and the Lenders as additional insureds. All such policies shall provide, to the extent available from insurers customarily utilized in the Lessee's industry (a) that the insurer thereunder waives all rights of subrogation against the Lessor, the Lessee, the Agent and, if applicable, the Lenders, (b) that no cancellation, termination or material change in

such insurance shall be effective until at least 30 days after the receipt by the Agent and the Lessor of written notice thereof, (c) that such insurance as to the interests of the Lessor, the Agent or the Lenders therein shall not be invalidated by any act or neglect of, or violation of the terms, conditions or warranties of the insurance policy by, the Lessee or any other person or by the use or operation of the Equipment for purposes more hazardous or in a manner more hazardous than is permitted by such policy, (d) that neither the Lessor, the Agent nor the Lenders shall be liable for the payment of any premiums, commissions, assessments or calls in connection with such insurance, (e) that all provisions thereof, except the limits of liability (which shall be applicable to all insureds as a group) and liabilities for premiums (which shall be solely a liability of the Lessee), shall operate in the same manner as if there were a separate policy covering each such insured, without right of contribution from any other insurance which may be carried by any insured, and (f) if available, that the insurer will undertake the legal defense of the Lessor, the Agent and the Lenders for any loss or claim arising as a result of the Equipment subject to this Lease. The Lessee shall furnish the Lessor with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal prior to the expiration date of the original policy or policies. All insurance provided for in this Section 7.2 shall be effected with insurance companies similar to those insurers who customarily provide public liability insurance in the Lessee's industry.

SECTION 8. REPORTS; INSPECTION.

On or before March 31 in each year, commencing with the calendar year 1987, the Lessee will furnish or cause to be furnished to the Lessor, the Agent and each Lender an accurate statement in appropriate form (a) setting forth as at the preceding December 31 the amount, description and number of all Units then leased hereunder, the amount, description and number of all Units that have suffered a Casualty Occurrence during the preceding calendar year or, in the case of the first such statement, since the date of this Lease (specifying the dates of such Casualty Occurrences) or to the knowledge of the Lessee are then undergoing repairs (other than running

repairs) or are then withdrawn from use pending repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Agent may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and the markings required by Section 5 have been preserved or replaced. The Lessor and the Agent shall have the right (but not the duty) by their respective agents to inspect the Units and the Lessee's and its agents' records with respect thereto at such reasonable times as the Lessor or the Agent may request during the continuance of this Lease, provided that the Lessee shall not be liable, except in the case of its negligence or misconduct or that of its employees or agents, for any injury or death to any person exercising, either on behalf of the Lessor or any prospective purchaser or lessee, the rights of inspection granted hereunder and the Lessee may require any person seeking to inspect the Units or such records to execute a waiver of liability in accordance with this proviso. The Lessee shall make available any information reasonably requested by the Lessor with respect to any Units.

The Lessee agrees at its expense to prepare and deliver or cause to be prepared and delivered to the Lessor or the Agent, as the case may be, within a reasonable time prior to the required date of filing (and, to the extent permissible, file on behalf of the Lessor or the Agent) any and all reports in appropriate form (other than income or franchise tax returns) to be filed by the Lessor or the Agent with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units, the security interest of the Agent therein or the leasing thereof to the Lessee.

SECTION 9. DISCLAIMER OF WARRANTIES; COMPLIANCE WITH LAWS AND RULES; MAINTENANCE; ALTERATIONS.

9.1. Disclaimer of Warranties. NEITHER THE LESSOR NOR THE AGENT MAKES, HAS MADE OR SHALL BE DEEMED TO MAKE OR HAVE MADE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN COMPLIANCE WITH SPECIFICATIONS, OPERATION OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT THEREOF DELIVERED TO THE LESSEE HEREUNDER, AND NEITHER THE LESSOR NOR THE AGENT MAKES

ANY WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OR ANY COMPONENT THEREOF FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT THEREOF (EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE), it being agreed that all such risks, as between the Lessor and the Agent, on the one hand, and the Lessee on the other, are to be borne by the Lessee, except that the Lessor warrants that it has received and holds whatever title to the Units as was conveyed to it by the Builder and that each Unit shall be free of Lessor's Liens and it shall pay and discharge the same as provided in Section 14 of the Conditional Sale Agreement. The Lessor hereby authorizes and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder, provided that if at any time an Event of Default, or any event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, the Lessor may assert and enforce for the Lessor's sole benefit, but at the Lessee's sole cost and expense, such claims and rights provided further that, at any time, the Lessor may at its own cost and expense assert and enforce for its benefit such claims and rights. The Lessor and the Agent shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Unit or by any inadequacy thereof or deficiency or defect therein or by any other circumstance in connection therewith; (ii) the use, operation or performance of any Unit or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Unit. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor and the Agent that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor or the Agent based on any of the foregoing matters.

9.2. Compliance with Laws and Rules. The Lessee agrees, for the benefit of the Lessor and the Agent, to comply and to take such action as shall be reasonably necessary to cause every user of any Unit to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all laws of the jurisdictions in which its operations involving any Unit may extend, with the interchange rules of the Association of American Railroads and with all rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that any such law, rule or regulation requires any alteration, replacement, modification or addition of or to any Unit or any part thereof, the Lessee will fully comply therewith at its own expense, provided that the Lessee may upon written notice to the Lessor and the Agent, in good faith contest or cause to be contested the validity or application of any such law, rule or regulation in any reasonable manner which does not, in the opinion of both the Lessor and the Agent, adversely affect the property or rights of either the Lessor or the Agent under this Lease.

9.3. Maintenance. The Lessee agrees that, at its own cost and expense, it will maintain or cause to be maintained each Unit (including any Additions thereto) which is subject to this Lease in good operating order, repair and condition, ordinary wear and tear excepted, capable of performing the functions for which it was originally intended at all times. Each Unit will be consistently maintained in accordance with applicable railroad interchange rules and Federal and Railroad Safety Standards. Maintenance procedures will conform to any conditions set forth in the Builder's warranties during the term of such warranties. The term "ordinary wear and tear" for purposes of this Lease shall mean that wear and tear which would have been suffered by units of the same type which had carried at all times, and over the same period of time, commodities of the kind ordinarily carried in the Unit by the Lessee.

9.4. Alterations, etc. The Lessee and its affiliates, at their own cost and expense, may from time to time make such alterations, modifications and addi-

tions (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by, but are made in compliance with any requirements of the Interstate Commerce Commission, the United States Department of Transportation or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (hereinafter collectively called "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, and shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease.

Title to all Parts incorporated in or installed as part of the Units shall at all times be and remain the property of the Lessor, and Lessee shall indemnify Lessor in the event that such Parts are deemed "income" to the Lessor prior to the expiration of the lease term, in the following cases: (i) if such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any part in replacement of, or in substitution for, any such replacement Part, (ii) if such Part is required to be incorporated in or installed as part of the Units pursuant to the terms of Section 9.2 or Section 9.3 or (iii) notwithstanding the provisions of this Section 9.4, if such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, title to Parts incorporated in or installed as parts of the Units as a result of Additions shall vest in the Lessee, provided that the Lessor shall have the option to purchase any such Part which can be readily removed from the Unit to which it relates without material damage thereto at the fair market value thereof at the time such Unit is returned to the Lessor in accordance with this Lease.

SECTION 10. PROHIBITED LIENS.

The Lessee will not directly or indirectly create, incur, assume, permit or suffer to be created or to remain, and, at its own expense, will promptly pay or discharge any and all sums or claims which, if unpaid, might become a Lien, other than Lessor's Liens or Liens against the Agent or the Lenders not related to the transactions contemplated by the Participation Agreement or this Lease, upon or with respect to any Unit or any part thereof, this Lease, any payment of Rent or any part thereof, or any amount or part thereof due or payable with respect to the Conditional Sale Indebtedness, or the interest of the Lessor, the Agent or the Lessee therein or herein, other than Permitted Liens, and will promptly discharge any such sum or claim which arises, but shall not be required to pay or discharge any such sum or claim so long as (i) the validity thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner, (ii) prompt notice of such contest is given to the Lessor and the Agent, (iii) the nonpayment or non-discharge of such sum or claim does not, in the reasonable opinion of the Agent and the Lessor, materially adversely affect the interest of the Agent or the Lessor in or to the Equipment or proceeds thereof, the Agent's interest in the income and proceeds from the Equipment, or any other rights of the Agent or the Lessor under this Lease or any Security Document and (iv) arrangements reasonably satisfactory to the Agent and the Lessor have been made by the Lessee for the payment or discharge of such sum or claim.

SECTION 11. POSSESSION AND USE; ASSIGNMENTS AND SUBLEASES.

So long as no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, the Lessee shall be entitled to the possession of the Units in accordance with the terms of this Lease, to permit the use of the Equipment by others in the usual interchange of traffic and to sublease the Equipment, but the Lessee will under no circumstances permit any Unit to be assigned to service, or to be operated or maintained, outside the United States of America, provided, however, the Lessee will be permitted de minimis use in Canada. This entitlement is of the essence of this Lease, and

upon application to any court of equity having jurisdiction in the premises, the Lessee shall be entitled to a decree against the Lessor, the Agent or the Lenders requiring specific performance hereof. The Lessee will not sublease any of the Units without the prior written consent of the Lessor and the Agent, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, no sublease for any period shall be permitted unless (i) no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing at the commencement of the term of such sublease, (ii) such sublease is upon and subject to all the terms and conditions of this Lease and the term of such sublease shall not extend beyond the Term of the Lease, evidence of which shall be furnished to the Lessor and the Agent hereunder, (iii) such sublease specifically provides that it is subject and subordinate to the provisions of this Lease and the rights and remedies of the Lessor and the Agent hereunder, and (iv) such sublease does not adversely affect the Owner's ability to realize the full benefits of the tax assumptions set forth in the Tax Indemnity Agreement or jeopardize the Agent's or the Lessor's interests in the Units. No sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder, all of which shall be and remain those of a principal and not a surety. The Lessor may, at its option, require the Lessee to assign to the Lessor such sublease, in the case of subleases with a term of 9 months or more, and the rentals due thereunder, to the extent of the Basic Rent due hereunder, with such sublease rental payments to be made directly to the Lessor without any right to offset or counterclaim by the sublessee. Notwithstanding the foregoing provisions, but subject to clause (i) above and provided that (x) no sublease, or other agreement renders it not subject and subordinate to this Lease and (y) it is begun prior to the expiration of the Term of the Lease, the Lessee may, to the extent customary in the industry, "trip lease" the Units to one or more of its business customers.

Except as permitted by this Section 11, the Lessee shall not assign or transfer its rights hereunder or sublease or part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units.

SECTION 12. MERGER, CONSOLIDATION, ETC.

The Lessee may assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any solvent corporation into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee, as an entirety or substantially as an entirety, in compliance with the requirements of Section 11.3 of the Participation Agreement.

SECTION 13. RETURN OF UNITS UPON EXPIRATION OF TERM.

As soon as practicable on or after January 2, 2007 or at the expiration of a Renewal Term, if any, and in any event not later than 180 days after January 2, 2007 or at the expiration of any Renewal Term (except in each case with respect to a termination pursuant to Section 7.1), the Lessee will cause each Unit to be transported to such storage tracks within the United States as the Lessor shall designate immediately prior to such termination or, in the absence of such designation, as the Lessee may select, and the Lessee will arrange for storage of such Unit on behalf of the Lessor at such storage tracks. In the event that the Lessee does not return the Equipment at the termination of the Basic Term or any Renewal Term, the Lessee shall pay to the Lessor the daily equivalent of the average daily rent paid during the Basic Term on the 30th day of each month following the month for which such payment is to be made and during such time as the Lessee does not return the Equipment; in addition, all of the terms and conditions of this Lease shall remain in effect until each Unit has been returned as provided herein. Each Unit shall be stored for a period commencing on the date of its arrival at such storage tracks (whether designated by the Lessor or the Lessee) and extending thereafter to and including the date the last Unit of Equipment is returned pursuant to this section. The assembly, delivery, and storage of such Units pursuant to the preceding sentence shall be at the expense and risk of the Lessee. Storage of the Units during the period after the date the last Unit of Equipment is returned shall be at the expense and the risk of the Lessor. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or user of such

Unit, to inspect the same. The Lessee shall not be liable for any injury to or the death of any person exercising, either on behalf of the Lessor or any prospective purchaser or user, the foregoing rights of inspection except in the case of negligence or wilful wrongdoing of the Lessee or of its employees or agents and except to the extent otherwise provided by law. This agreement to assemble, deliver and store the Units as hereinbefore provided is of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance hereof. Each Unit returned to the Lessor pursuant to this Section 13 shall have attached or affixed thereto any Part title to which is in the Lessor pursuant to Section 9.4 and have removed therefrom at Lessee's expense any Part title to which is in the Lessee or any other person pursuant to Section 9.4, shall be in the condition required in Section 9.3 hereof and shall be, and the Lessee shall keep and maintain any such Unit during the storage period for which the Lessee is responsible, (a) free and clear of all Liens (other than Lessor's Liens or Liens created pursuant to or under Security Documents) and in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, and (b) in compliance with the interchange rules of the Association of American Railroads and with all rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit. All gross amounts earned in respect of any Unit shall, from and after the termination of this Lease as to such Unit, belong to and be the property of the Lessor except for amounts due to the Lessee pursuant to Section 7.1.

SECTION 14. EARLY TERMINATION.

At any time after the fifth anniversary of the final Equipment Closing Date, in the event that all of the Units shall become surplus to the Lessee's requirements or economically obsolete for use by the Lessee (as determined in good faith by the Lessee's Board of Directors) from any cause whatsoever (other than a Casualty Occurrence), the Lessee may, at its option, if no Event of Default shall have occurred and be continuing and no event which with notice or lapse of time or both would

become an Event of Default, shall have occurred and be continuing, give to the Lessor notice of the Lessee's intention to terminate this Lease as to all of the Units subject to this Lease as of the Rent Payment Date stated in such notice (herein called the "Termination Date"), which Rent Payment Date shall not be earlier than 180 days after the date of such notice provided, however, that this Lease may not be terminated pursuant to this Section 14 if, upon such termination, the number of Units of Equipment is more than 7 times the number of units of similar hopper cars withdrawn from the Lessee's fleet as surplus or economically obsolete within the preceding twelve months (as certified by the Lessee). During the period from the giving of such notice until the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain cash bids (pursuant to invitations for bids reasonably satisfactory in form and substance to the Lessor) for the purchase of such Units by a third party unrelated to the Lessee. The Lessor shall also have the right (but not the obligation) to obtain cash bids for the purchase of such Units, either directly or through agents other than the Lessee. The Lessee shall certify to the Lessor in writing the amount of each bid, if any, received by the Lessee and the name and address of the person submitting such bid.

If no such bids are received by the tenth Business Day prior to the Termination Date or if the Lessee shall elect not to sell such Units despite the receipt of such bids (in the latter event only if no such bid equals or exceeds Termination Value), the Lessee shall notify in writing the Lessor, the Agent and the Lender of such fact and shall withdraw its notice of termination. Otherwise, on the Termination Date the Lessor shall, subject to satisfaction of the conditions specified in the following sentence, sell such Units for cash to the maker (who shall not be the Lessee or any affiliate of the Lessee) of the highest cash bid therefor submitted prior to such date (whether such bid has been so certified by the Lessee or obtained by the Lessor or the Owner independently of the efforts of the Lessee), such sale to be on an "as-is, where-is" basis, without any representation or warranty, express or implied, by the Lessor and without recourse to the Lessor. The Lessor's obligation to sell such Units shall be subject to the conditions that: (i) no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing on, and the Lessee

shall have paid to the Lessor all Basic Rent and Additional Rent payable hereunder on and before, the Termination Date, and (ii) the Lessee shall, on or before the Termination Date, have paid to the Lessor the amount, if any, by which the Termination Value, determined as of the Termination Date, exceeds the amount of cash received by the Lessor for such sale less all expenses (including legal fees and expenses) incurred or paid by the Lessor in connection with such sale, with any excess sales proceeds to be retained by the Lessor.

Upon the closing of the sale of such Units by the Lessor pursuant to the preceding paragraph, (i) the Lessee shall comply with the provisions of Section 13 with respect to such Units, (ii) the obligation of the Lessee to pay Basic Rent hereunder shall cease with respect to such Units, and (iii) the term of the Lease with respect to such Units shall end on the Termination Date. If the Lessee withdraws any notice of termination given pursuant to the first paragraph of this Section 14 or if for any reason (other than the failure of the Lessor to tender a bill of sale) no sale shall be made pursuant to any such notice of termination, the Lessee shall not be obligated to pay the amount set forth in clause (ii) of the preceding paragraph and this Lease shall continue in full force and effect with respect to such Units, but the Lessee may at any time or from time to time thereafter give a further notice or notices of termination with respect to the Units under this Section 14, provided that no such further notice of termination may be given in excess of a total of five occasions or until 365 days shall have elapsed since the giving of the previous notice of termination. The Lessor shall not be under any duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids, or otherwise to take any action in connection with any such sale except as expressly provided in the preceding paragraphs of this Section 14. In the event of the sale of the Units pursuant to this Section 14, the Lessee shall not thereafter acquire directly or through any affiliate of the Lessee any interest in any of the Units as owner or lessee.

The Termination Value of each Unit as of the Termination Date shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date (subject to adjustment as provided in Section 3.5 and the Tax Indemnity Agreement). Anything contained herein, in the Participation Agreement or in

the Conditional Sale Agreement to the contrary notwithstanding, Termination Value for the Equipment will, under any circumstances and in any event be an amount which, together with any other amounts required to be paid by the Lessee hereunder in connection with a termination of this Lease pursuant to Section 14 hereof, will be at least sufficient to pay in full as of the date of payment thereof the aggregate unpaid principal amount of the Conditional Sale Indebtedness from time to time outstanding, together with all unpaid interest thereon originally scheduled to be accrued, as of the payment date with respect to such termination of Lease.

SECTION 15. RENEWAL OPTION.

At the end of term of this Lease, on January 2, 2007, so long as no Event of Default has occurred and is continuing, the Lessee may renew this Lease as to all of the Units subject to this Lease for up to three two-year renewal periods (each a "Renewal Term"), commencing on January 2, 2007 (as shall be specified by the Lessee). The Lessee shall give the Lessor at least 12 months' prior written notice of its election to renew the Lease (specifying the term of such renewal), which notice shall be irrevocable. All of the provisions of this Lease shall be applicable during each Renewal Term, except that the Basic Rent for such Renewal Term shall be in an amount equal to the Fair Market Rental Value of the Units, as of the first day of each Renewal Term, for a period equal to each such Renewal Term, and shall be payable in semiannual installments in arrears. Casualty Value during Renewal Term shall be determined as set forth in Schedule B hereto.

SECTION 16. PURCHASE OPTION.

If no Event of Default shall have occurred and be continuing, the Lessee shall have the option to purchase all of the Units on the last day of the Basic Term or any Renewal Term (such day being hereinafter called the "Expiration Date") at a price which shall be equal to the then existing Fair Market Sales Value of the Units. In order to exercise such right to purchase such Units, the Lessee shall give the Lessor written notice of its election to purchase the Units (which notice shall be irrevocable) at least 12 months prior to the Expiration

Date. The Fair Market Sales Value of the Units shall be determined by mutual agreement of the Lessee and the Lessor within 45 days after receipt by the Lessor of the notice from the Lessee of its election to purchase such Units or, if they shall fail to agree within such 45-day period, the Fair Market Sales Value of such Units shall be determined by the Appraisal Procedure. The Lessee shall pay to the Lessor on or before the Expiration Date an amount equal to the Fair Market Sales Value of the Units being purchased, and upon such payment and the payment by the Lessee of all other Rent payable on or before such Expiration Date (including the Rent becoming due and payable on such Expiration Date), the Lessor shall transfer all of its right, title and interest in the Units being purchased by the Lessee pursuant to this Section 16 to the Lessee without any representation, recourse or warranty on the part of the Lessor except that the Lessor shall warrant to the Lessee that the Units are free and clear of all Lessor's Liens.

SECTION 17. DEFAULTS; REMEDIES.

17.1. Defaults. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(a) payment of any Rent or payment in respect of any Casualty Occurrence pursuant to Section 7.1 or payment in respect of any termination of this Lease pursuant to Section 14 or payment in respect of the Tax Indemnity Agreement shall not be made by or on behalf of the Lessee, and such failure to make payment shall continue for five days after such payment is due; or

(b) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof; or

(c) the Lessee shall fail to maintain or cause to be maintained insurance as required by Section 7.2; or

(d) default shall be made in the observance or performance of any other of the covenants, condi-

tions and agreements on the part of the Lessee contained herein or in the Participation Agreement or the Lease Assignment, and such default shall continue for 30 days after the Lessee has knowledge of the default; or

(e) any representation or warranty made in writing by the Lessee herein or in the Participation Agreement or the Lease Assignment or in any statement or certificate furnished to the Lessor, the Agent or any of the Lenders pursuant to or in connection with this Lease, the Participation Agreement or the Lease Assignment proves to be untrue in any material respect as of the date of issuance or making thereof; or

(f) the Lessee shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (iii) make an assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated, or (vi) take corporate action for the purpose of any of the foregoing; or

(g) a court or governmental authority of competent jurisdiction shall enter an order, appointing, without consent by the Lessee, a custodian, receiver, trustee or other officer with similar powers with respect to the Lessee, or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Lessee, or if any such petition shall be filed against the Lessee and such petition shall not be dismissed within 60 days;

(h) default shall be made in the payment of the principal of or interest on any indebtedness of

the Lessee which default results or could result in indebtedness of an aggregate principal amount in excess of \$2,000,000 becoming immediately due and payable, unless such default is, in the Lessor's reasonable opinion, being contested in good faith and during the pendency of such contest such indebtedness shall not be required to be paid; or

(i) the Letter of Credit shall not have been extended or a substitute facility provided therefor in accordance with the terms thereof prior to the tenth day prior to its expiration;

then the Lessor may exercise any of the remedies set forth in Section 17.2. The Lessee shall deliver to the Lessor and the Agent, promptly upon any responsible officer's becoming aware of any condition which constitutes, or which with notice or lapse of time or both would constitute, an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this Section 17.1, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate official of the Lessee who in the normal performance of such official's operational responsibilities would have knowledge of such matter and the requirements of this Lease with respect thereto.

17.2. Remedies. If an Event of Default shall have occurred and be continuing, the Lessor, at its option, may proceed by appropriate court action either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof or by notice in writing to the Lessee terminate the term of this Lease with respect to all Units then subject thereto, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or

for any proceeds arising therefrom; but the Lessor shall nevertheless have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing accrued Basic Rent pro rata to such date) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify:

(x) a sum with respect to each Unit which represents the excess of (1) the present value, at the time of such termination, of the entire unpaid balance of all rentals for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over (2) the then present value of the rentals which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in such case on the basis of a 9.47% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, plus any damages and expenses, including reasonable attorneys' fees, disbursements and expenses in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant, representation or warranty of this Lease other than for the payment of the rental;

(y) an amount equal to the excess, if any, of the Casualty Value as of the Rent Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value (after deduction of all estimated expenses of such sale) of such Unit at such time;

(z) an amount equal to any unpaid Basic Rent and Additional Rent (and, in the case of an Event of Default under Section 17.1(f) hereof, any amounts of Basic Rent and Additional Rent paid within the 90 days preceding the Event of Default) for such Equipment or part thereof due for periods prior to and including the Rent Payment Date on or next preceding the date of termination plus an amount equal to the then Termination Value of such Equipment as of such Rent Payment Date (together with interest on such

amount at a rate equal to the greater of 20% or 125% of the Base Rate (computed on the basis of a 360-day year of twelve 30-day months), from the payment date specified in such notice to the date of actual payment); in addition, the Lessor may, within 30 days after the Lessee makes the payment of Termination Value as aforesaid, give the Lessee written notice appointing a recognized independent appraiser selected by the Lessor to determine the fair market sales value for the Equipment as of the Rent Payment Date as of which Termination Value was determined pursuant to this paragraph (z), and if the fair market sales value of the Equipment as of such date is determined to exceed the Termination Value of the Equipment paid pursuant to this paragraph (z), the Lessee shall forthwith pay the amount of such excess to the Lessor; and upon indefeasible payment in full of all such amounts and any other amounts then due and owing by the Lessee hereunder, the Lessor shall transfer to the Lessee in accordance with Section 16 its title to the Equipment;

provided that in the event the Lessor shall have sold or leased any Unit as permitted by this Section 17.2, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding subparagraphs (x), (y) and (z) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale or leasing, as the case may be, as liquidated damages for loss of a bargain and not as a penalty

(i) in the case of such sale, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rent Payment Date on or next preceding the date of termination, over the net proceeds of such sale, and

(ii) in the case of such leasing, an amount equal to the excess, if any, of the present value of all rental for such Unit which would otherwise have accrued hereunder from the date of termination to the end of the term of this Lease as to such Unit over the sum of (I) the then present value of all rental for such Unit required under such new lease plus (II) the then present value of the rental (if any) which the Lessor reasonably estimates to be obtainable for the Unit during the period commencing

on the termination of such new lease and ending on the date the term of this Lease would have terminated if it had not been terminated early due to default, each such present value to be computed in each case on the basis of a 9.47% per annum discount, compounded, in the case of rental which is estimated under Clause (II) of this subparagraph, semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated and, in the case of rental under such new lease, periodically from the respective dates upon which such rental shall be payable thereunder.

In addition, the Lessee shall be liable, in any event, for any premium payable by the Lessor in accordance with Section 17 of the Conditional Sale Agreement, upon the Lessor's election to accelerate the Conditional Sale Indebtedness upon the occurrence of an Event of Default pursuant to either Section 17.1(a), 17.1(f) or 17.1(i) hereof.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit and the placing of any Unit in the condition necessary to meet the requirements of the second sentence of Section 15.

Any draw on the Letter of Credit shall be applied to the Lessee's obligations hereunder to the extent, but only to the extent, so received.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity, including, without limitation, the right of the Lessor to proceed by appropriate court action or actions at law or in equity or otherwise to enforce performance by the Lessee of the applicable covenants of this Lease and the Participation Agreement or to recover damages for the breach

thereof, whether before, during, or after an Event of Default hereunder.

The Lessee hereby waives any requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims to any offset, other than offset for breaches of the Lessee's right to quiet enjoyment to the extent permitted by Section 3.4 hereof against the rental payments due hereunder and agrees to make such rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies; and a waiver of any such right on one occasion shall not constitute a waiver of such right as to any other occasion and shall not be effective unless in writing signed by the Lessor.

SECTION 18. RETURN OF UNITS UPON DEFAULT.

If the term of this Lease shall be terminated pursuant to Section 17, the Lessee shall forthwith deliver or cause to be delivered possession of the Units to the Lessor and shall give or cause to be given prompt telegraphic and written notice to the Association of American Railroads and all railroads having possession of any Unit so to return such Units. Each Unit returned to the Lessor pursuant to this Section 18 shall (i) be free and clear of all Liens (other than Liens created pursuant to or under the Security Documents) in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted, (ii) have attached or affixed thereto any Part title to which is in the Lessor pursuant to Section 9.4 and have removed therefrom at Lessee's expense any Part title to which is in the Lessee or any other person pursuant to Section 9.4, and (iii) comply with the interchange rules of the Association of American Railroads, and with all rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative,

executive, administrative or judicial body exercising any power or jurisdiction over such Unit. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all entities to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) cause any or all of the Units to be transported to such location or locations within the United States as shall reasonably be designated by the Lessor and there assembled,

(b) provide for the Lessor to store any or all of the Units on any lines of railroad or premises approved by the Lessor without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor, and

(c) cause any or all of the Units to be transported to such place or places within the United States as shall be designated by the Lessor.

During any assembly, delivery or storage period the Lessee will, at its own cost and expense, maintain the insurance required by Section 7.2 of this Lease, maintain and keep each such Unit in good order and repair and will permit the inspection of the Equipment by the Lessor, the Lessor's representatives and prospective purchasers, lessees and users. This agreement to assemble, deliver and store the Equipment as hereinbefore provided is of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance hereof. The Lessee hereby expressly waives any and all claims against the Lessor, the Agent or their respective agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. In the event that the Units or any thereof are sold, the Lessee shall pay to the Lessor the per diem interchange for each such Unit which shall not have been assembled, delivered and stored, as hereinbefore provide, by the date of such sale for each day

from the date of such sale to the date of delivery to the Lessor at the location specified in paragraph (a) above.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 18, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

SECTION 19. RECORDING; FURTHER ASSURANCES.

The Lessee, at its own expense, will cause this Lease, the Conditional Sale Agreement, the Assignment, the Lease Assignment, any sublease permitted by Section 11, and any other assignment or transfer hereof or thereof and any amendment or supplement hereto or thereto to be filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303 or such successor thereto as may then be in effect, to the full extent required to protect the rights intended to be created in the Lessor and the Agent hereunder and thereunder.

The Lessee will cause to be done, executed, acknowledged and delivered all such further acts, conveyances and assurances as the Lessor, each of the Lenders or the Agent shall require for accomplishing the purposes of this Lease and the other Basic Agreements. Upon the expiration of the term with respect to any Unit for any reason, the Lessee will execute such assignments of warranties and other rights and interests of the Lessee relating to such Unit as the Lessor may request. The Lessee will take, or cause to be taken, such action with respect to the recording, filing, re-recording and re-filing of this Lease, the Conditional Sale Agreement, the Assignment, the Lease Assignment, any sublease permitted by Section 11, and any other assignment or transfer hereof or thereof, or any amendments and supplements to any thereof, and any financing statements, continuation statements or other instruments (including, without limitation, any financing or other statements or instruments relating to a change of name or location by the Lessor or the Lessee), in such manner and in such places as is

necessary, or as shall be deemed desirable by the Lessor, the Agent or the Lenders, acting reasonably, to establish, perfect, preserve and protect the Lessor's rights and interests as owner of the Equipment and as Lessor under this Lease and so long as the Conditional Sale Indebtedness shall remain outstanding, the security interests created by the Conditional Sale Agreement, the Assignment and the Lease Assignment, and shall furnish to the Lessor and the Agent evidence of all actions taken by it under this and the preceding sentences. The Lessee will furnish to the Lessor, the Lenders and the Agent annually after the execution hereof (but not later than March 15th of each year), commencing with the year 1987, an opinion of counsel satisfactory to the Lessor and the Lenders stating either: (i) that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and re-filing of this Lease, the Conditional Sale Agreement, the Assignment, the Lease Assignment, any sublease permitted by Section 11, and any other assignment or transfer hereof or thereof (and any amendments or supplements to any thereof) and any financing statements or other instruments as is necessary to maintain the perfection of the security interests created thereby and the Lessor's rights and interests as owner of the Equipment and as Lessor under this Lease and reciting the details of such action; or (ii) that in the opinion of such counsel no such action is necessary to maintain the perfection of such security interests or such rights and interests of the Lessor.

SECTION 20. LESSOR'S RIGHT TO PERFORM
FOR THE LESSEE.

If the Lessee fails to perform or comply with any of its agreements contained herein, the Lessor may upon notice to the Lessee itself perform or comply with such agreement, and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amount at the rate of 11.47% per annum, shall be payable by the Lessee upon demand.

SECTION 21. NO RECOURSE.

No recourse shall be had in respect of any obligation due under this Lease, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the Lessor or the Lessee, whether by virtue of any constitutional provision, statute or rule of law or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of incorporators, stockholders, directors, officers, as such, or beneficiaries being forever released as a condition of and as consideration for the execution of this Lease.

SECTION 22. NOTICES.

All notices, requests, demands and other communications required or contemplated by the provisions of this Lease shall, unless otherwise specified, be in writing or by telex or by telegraph, and shall be deemed to have been given or made on the fifth Business Day after deposit thereof in the United States mails, certified, first-class postage prepaid, or when received if sent by telex or telegraph or delivered by hand, addressed as follows:

To the Lessee: Soltex Polymer Corporation
3333 Richmond Avenue
Houston, TX 77098

Attention: General Counsel

To the Lessor: BarclaysAmerican/Leasing, Inc.
201 South Tryon Street
P.O. Box 31217
Charlotte, North Carolina 28231

Attention: Director of Credit
and Administration

To the Agent: The Connecticut Bank and Trust
Company, National Association
One Constitution Plaza
Hartford, Connecticut

Attention: Corporate Trust
Department

or as to any such party, or its assignee, to such other address as such party or assignee may from time to time specify by notice hereunder.

SECTION 23. LEASE SUBJECT TO CONDITIONAL SALE
AGREEMENT; ENFORCEMENT BY AGENT;
ORIGINAL COUNTERPART.

If and so long as this Lease is assigned to the Agent (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall also apply and refer to the Agent (but not to the exclusion of the Owner) and any successors thereto unless the context shall otherwise require, provided that the Agent shall not be subject to any liabilities or obligations under this Lease. The fact that the Agent and the Lenders are specifically named in certain provisions of this Lease shall not be construed to mean that the Agent or the Lenders (and any successors thereto) are not entitled to the benefits of other provisions where only the Lessor is named or where only the Agent or the Lenders, as the case may be, are named.

All rights and obligations of the Lessee under this Lease and in and to the Equipment are subject to the rights of the Agent under the Security Documents. If an event of default under any of the Security Documents (which includes, among other things, any Event of Default hereunder) shall have occurred and be continuing, the Agent may, as provided in the Lease Assignment, take any action permitted under Section 19 of the Conditional Sale Agreement or under Section 6 of the Lease Assignment, and may exercise all of the rights and remedies of the Lessor under Sections 17 and 18 of this Lease, provided that the Agent may not, in the absence of an Event of Default hereunder, take any action under this Lease or the Lease Assignment which would interfere with the rights of the

Lessee hereunder, including the right to possession and use of the Equipment, except in accordance with the terms and conditions hereof.

Until the Lessee receives notice from the Agent stating that the Agent has received the full Conditional Sale Indebtedness, together with interest and all other indebtedness and payments as provided in the Conditional Sale Agreement and the Participation Agreement, all amounts payable by the Lessee hereunder to the Lessor, other than Excepted Payments, shall be paid by the Lessee to the Agent at its office located at the address set forth in Section 22 of this Lease or at such other office as the Agent may specify from time to time by notice to the Lessee. All such payments to the Agent shall be made in the manner and by the time specified in Section 3.3, and the right of the Agent to receive all such payments shall not be subject to any defense, counterclaims, set-off or any right or claim of any kind which Lessee may be able to assert against the Lessor.

To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created by the transfer or possession of any counterpart hereof other than the original counterpart which shall be identified as the counterpart containing the receipt therefor executed by the Agent on or immediately following the signature page thereof.

SECTION 24. THE AGENT.

The provisions of this Lease which require or permit action, the consent or approval of, the furnishing of any instrument or information to, or the performance of any other obligations to, the Agent shall not be affected, and the sections hereof containing such provisions shall be read as though there were no such requirements or permissions, after the Agent shall have given the Lessor and the Lessee notice of the termination of the Conditional Sale Agreement in accordance with Section 7 thereof.

SECTION 25. MISCELLANEOUS.

25.1. Waivers; Modifications. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought; no such instrument shall be effective unless a signed copy thereof shall have been delivered to the Lessor, the Lessee, the Lenders and the Agent.

25.2. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof; and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

25.3. Binding Effect; Successors and Assigns. The terms and provisions of this Lease and the respective rights and obligations of the parties hereunder shall be binding upon, and inure to the benefit of, their respective successors and (to the extent assignments are permitted by this Lease) assigns.

25.4. No Third-Party Beneficiaries Except as Specified. Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Agent, the Lenders and their respective successors and assigns, each of which shall be deemed to be a third-party beneficiary hereof) and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of any third party except as aforesaid.

25.5. Captions; References. The captions in this Lease and in the table of contents are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. References herein to sections and subdivisions without reference to the document in which they are contained are references to this Lease.

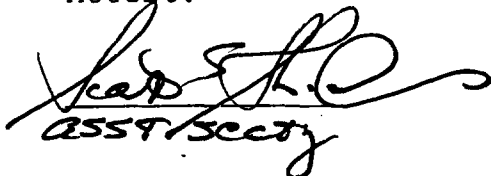
25.6. Governing Law. This Lease is being made and delivered in, and shall be governed by and construed in accordance with the laws of, the State of New York,

provided that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303. Each party to this Agreement agrees that any suit, action or proceeding arising out of or relating to this Agreement may be instituted in any state or federal court in the State of New York in Manhattan County, waives any objection which it might have now or hereafter to the laying of venue of any such suit, action or proceeding, irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding, and hereby waives any claim or defense of inconvenient forum.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

[Seal] BARCLAYSAMERICAN/LEASING, INC.,

Attest: as Lessor


ASSY/Secy

By 
Senior Vice President

[Seal] SOLTEX POLYMER CORPORATION,

Attest: as Lessee

By _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

[Seal]

BARCLAYSAMERICAN/LEASING, INC.,

Attest:

as Lessor

By

Senior Vice President

[Seal]

SOLTEX POLYMER CORPORATION,

Attest:

as Lessee

By


Title: VICEPRESIDENT


SECRETARY

STATE OF N.C.)
 : ss.:
COUNTY OF Mecklenburg)

On the 2nd day of October, in the year 1986, before me personally came C. L. Burbank, III, to me known, who being by me duly sworn, did depose and say that he resides at Charlotte, N.C., that he is Sr. V.P. of Barclays American/Leasing, Inc., the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Beverly A. Scott
Notary Public

[NOTARIAL SEAL]

My commission expires: 9-6-91

STATE OF)
 : ss.:
COUNTY OF)

On the day of, in the year 19, before me personally came, to me known, who being by me duly sworn, did depose and say that he resides at, that he is of Soltex Polymer Corporation, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that one of the seals affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

Notary Public

[NOTARIAL SEAL]

STATE OF)
 : ss.:
COUNTY OF)

On the day of , in the year
19 , before me personally came , to me
known, who being by me duly sworn, did depose and say
that he resides at , that he is
 of BarclaysAmerican/Leasing, Inc.,
the corporation described in and which executed the above
instrument; that he knows the seal of said corporation;
that one of the seals affixed to said instrument is such
corporate seal; that it was so affixed by order of the
Board of Directors of said corporation, and that he
signed his name thereto by like order.

Notary Public

[NOTARIAL SEAL]

STATE OF TEXAS)
 : ss.:
COUNTY OF HARRIS)

On the 1st day of October , in the year
1986, before me personally came Rene H. Degreve , to
me known, who being by me duly sworn, did depose and say
that he resides at 4530 Ivanhoe, Houston, Tx, that he is
Vice President of Soltex Polymer Corporation, the
corporation described in and which executed the above
instrument; that he knows the seal of said corporation;
that one of the seals affixed to said instrument is such
corporate seal; that it was so affixed by order of the
Board of Directors of said corporation, and that he
signed his name thereto by like order.

Karen F. Heimsath

Notary Public

[NOTARIAL SEAL]

KAREN F. HEIMSATH
Notary Public in and for the State of Texas
My Commission Expires: 6/17/90

SCHEDULE A

Equipment = 272 new ACF Model 5711, 5800 cu ft, center flow, covered hopper cars.

<u>Number of Units</u>	<u>Serial Numbers</u>
272	ELTX 1100 through 1371

SCHEDULE B

CASUALTY AND TERMINATION VALUES

<u>Rent Payment Date</u>	<u>Rent Payment Number</u>	<u>Percent of Purchase Price</u>
January 2, 1987	0	104.22267
July 2, 1987	1	109.51548
January 2, 1988	2	106.01223
July 2, 1988	3	107.58382
January 2, 1989	4	106.34223
July 2, 1989	5	107.52147
January 2, 1990	6	105.35170
July 2, 1990	7	106.10040
January 2, 1991	8	103.83872
July 2, 1991	9	104.23598
January 2, 1992	10	102.18246
July 2, 1992	11	102.45678
January 2, 1993	12	100.36935
July 2, 1993	13	100.44543
January 2, 1994	14	98.42493
July 2, 1994	15	98.47171
January 2, 1995	16	96.35799
July 2, 1995	17	93.30512
January 2, 1996	18	92.25295
July 2, 1996	19	88.96559
January 2, 1997	20	87.87998
July 2, 1997	21	84.34160
January 2, 1998	22	83.22499
July 2, 1998	23	79.41948
January 2, 1999	24	78.26990
July 2, 1999	25	73.32546
January 2, 2000	26	72.95531
July 2, 2000	27	67.60118
January 2, 2001	28	67.19672
July 2, 2001	29	61.36481
January 2, 2002	30	60.90081
July 2, 2002	31	54.55535
January 2, 2003	32	54.15530
July 2, 2003	33	47.28712
January 2, 2004	34	47.22395
July 2, 2004	35	39.81328

<u>Rent Payment Date</u>	<u>Rent Payment Number</u>	<u>Percent of Purchase Price</u>
January 2, 2005	36	40.13573
July 2, 2005	37	32.15530
January 2, 2006	38	32.91816
July 2, 2006	39	24.74958
January 2, 2007 and thereafter	40	20.00000

SCHEDULE C
BASIC RENT SCHEDULE

<u>Rent Payment Date</u>	<u>Rent Payment Number</u>	<u>Column 1 Percentage of Purchase Price</u>
July 2, 1987	1	0.0000000
January 2, 1988	2	7.9954681
July 2, 1988	3	3.3664675
January 2, 1989	4	4.6290007
July 2, 1989	5	3.3066865
January 2, 1990	6	4.6887816
July 2, 1990	7	3.2412443
January 2, 1991	8	4.7542238
July 2, 1991	9	3.1696047
January 2, 1992	10	4.8258634
July 2, 1992	11	3.2429667
January 2, 1993	12	4.7525014
July 2, 1993	13	3.3812227
January 2, 1994	14	4.6142454
July 2, 1994	15	3.3436077
January 2, 1995	16	4.6518604
July 2, 1995	17	6.3721755
January 2, 1996	18	3.4000633
July 2, 1996	19	6.4670245
January 2, 1997	20	3.3052143
July 2, 1997	21	6.5684252
January 2, 1998	22	3.2038137
July 2, 1998	23	6.6763249
January 2, 1999	24	3.0959140
July 2, 1999	25	7.6458110
January 2, 2000	26	2.1264278
July 2, 2000	27	7.8850192
January 2, 2001	28	1.8872196
July 2, 2001	29	8.1831306
January 2, 2002	30	1.5891083
July 2, 2002	31	8.5108763
January 2, 2003	32	1.2613625
July 2, 2003	33	8.8712022
January 2, 2004	34	0.9010366
July 2, 2004	35	9.2673470
January 2, 2005	36	0.5048918

<u>Rent Payment Date</u>	<u>Rent Payment Number</u>	<u>Percentage of Purchase Price</u>
July 2, 2005	37	9.7028713
January 2, 2006	38	0.0693675
July 2, 2006	39	9.7722388
January 2, 2007	40	0.0000000
July 2, 2007	41	4.8861194